

SBB8

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 4/29/87

Mr. President:

FINANCE Committee considered SB 8

Commercial Fishing and Agriculture Bank.

and recommended:

replace with) CS FOR SB 8 (Fin)) same title
 or adopt _____) CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures: Fred W. Sturges, James P. ...]

[Handwritten signature] DO PASS
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: SB 8
Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: Relating to the Commercial
Fishing & Agriculture Bank
Sponsor: Zharoff & Eliason
Requestor: Senate Labor & commerce

Agency Affected: Department of Revenue
BRU: Treasury
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
Division: Treasury
Approved by Commissioner: *[Signature]*
Agency: Department of Revenue

Phone: 465-2350
Date: January 26, 1987
Date: 1/26/87

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

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(see page 2)

Original sponsors: Zharoff and Eliason

1 IN THE SENATE
2 CS FOR SENATE BILL NO. 8 ^{Finance} (Resources)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the Commercial Fishing and Agri-
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8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
9 * Section 1. AS 44.81.010(a) is amended to read:
10 (a) There is established the Alaska Commercial Fishing and
11 Agriculture Bank. The exercise by the bank of the powers conferred by
12 this chapter is considered to be for a public purpose. [EXCEPT AS
13 OTHERWISE PROVIDED IN THIS CHAPTER, AND EXCEPT THAT ANY FILING FEES
14 SHALL BE WAIVED, THE BANK IS SUBJECT TO THE PROVISIONS OF AS 10.15
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13 * Sec. 6. AS 44.81 is amended by adding a new section to read:

14 Sec. 44.81.235. LIMITATIONS ON PLEDGE OF PERMITS. (a) The bank
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20 bait, and boat storage and launching expenses; or

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23 (b) A limited entry permit may be used as security for more than
24 one loan if each loan meets the requirements of (a) of this section.

25 (c) A limited entry permit may be used as security for a loan to
26 refinance existing debts if the proceeds of each original loan were
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15 purposes. The examiners shall distribute copies of the summary report
16 to the bank, the legislature, and the governor.

17 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

A M E N D M E N T

Offered in the FINANCE COMMITTEE

TO: CSSB 8 (Resources)

By Uehling

Adopted
4/29/87

Page 2, line 14:

Delete "unanimous vote of the remaining"

Insert "affirmative vote of a majority of the"

APR 29 1987

Original sponsors: Zharoff and Eliason

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SENATOR FRED F. ZHAROFF
ALASKA STATE LEGISLATURE

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

SECTIONAL ANALYSIS

Senate Bill No. 8 -- "An Act relating to the Commercial Fishing and Agriculture Bank".

SECTION 1

44.81.010(a): Exempts CFAB from the provisions of the Alaska Cooperative Corporation Act (AS 10.15), as the act was not written to apply to cooperative banking institutions such as CFAB. CFAB is governed by its own separate statute (Title 44, Chapter 81), but could be subject to possible amendments to AS 10.15. CFAB is already exempt from the Alaska Banking Code (AS 06.05).

SECTION 2

44.81.020(a): Deletes language that at least one of the Alaska farmer members of the board have "at least 10 years of Alaskan farm experience". Requirement is difficult to meet and, based on CFAB's experience, unnecessary. Deletes outdated language pertaining to board appointments.

SECTION 3

44.81.090: Amends statute to allow for removal of members of the board of directors who release confidential information in violation of AS 44.81.260 (Confidentiality of CFAB records), who commit "serious ethical misconduct", or who maintain "a chronically and irredeemably substandard borrowing relationship with the bank". Removal occurs upon a unanimous vote of the remaining members of the board. Deletes outdated language pertaining to board appointments.

SECTION 4

44.81.210(a)(20):

Deletes loan eligibility language duplicated from state loan program statutes so CFAB can have flexibility to make loans based mainly on applicants' credit standing and ability to repay. State eligibility criteria is somewhat restrictive and can interfere with CFAB's ability to make what otherwise would be good loans.

SECTION 5

44.81.210(a)(22):

Deletes unnecessary language. The conditions regarding the acceptance of a pledge of a limited entry permit as security for a loan are spelled out in Section 6.

SECTION 6

44.81.235:

New section. Expands the purposes for which a limited entry permit may be accepted as collateral. Currently, a permit may be pledged as security on a loan to purchase a permit; on a loan for the repair, restoration, or improvement of a commercial fishing vessel or commercial fishing gear; and on a loan for the construction or purchase of a commercial fishing vessel. Language added to reorganize and expand the provisions to read: (1) "purchase, repair, restoration, or improvement of a commercial fishing vessel or commercial fishing gear;" (2) "construction of a commercial fishing vessel;" (3) "working capital, including insurance premiums, fuel, bait, and boat storage and launching expenses;" and (4) "purchase and improvement of set net sites and associated equipment". Allows a permit to be used as security for more than one loan, and to refinance existing debt on the items listed above. Allows a fisherman to use a permit for one fishery to secure funds to use in another fishery. Expands slightly the exception CFAB was granted to AS 16.43.150, which prevents anyone (except the state or CFAB) from legally seizing a permit-holder's permit. This section would allow fishermen more flexibility in their business plans. Under limited circumstances, they would have a new asset to use to leverage funds for their operations. The circumstances are limited because CFAB -- with its special statutory relationship to the fishing industry -- would still be the only private institution with the ability to accept permits as collateral.

SECTION 7

44.81.270:

Adds new subsections.

- (b) Requires an annual independent audit. Legislative auditor may confer with and review the workpapers of the independent auditor. Legislative auditor may only conduct an audit at the direction of the Legislative Budget and Audit Committee (AS 24.20.271).
- (c) Requires state bank examiners to perform "an annual qualitative examination and evaluation of the bank", for the standard fee. Outlines what the examination and evaluation shall include.

1 IN THE SENATE

BY ZHAROFF AND ELIASON

2

SENATE BILL NO. 8

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

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FIFTEENTH LEGISLATURE - FIRST SESSION

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18 chapter.

19 * Sec. 2. AS 44.81.020(a) is amended to read:

20 (a) The bank shall be managed by a board of directors consisting
21 of seven members. Five [AT LEAST ONE MEMBER OF THE BOARD SHALL BE AN
22 ALASKA FARMER WITH AT LEAST 10 YEARS OF ALASKAN FARM EXPERIENCE.
23 INITIAL APPOINTMENTS TO THE BOARD SHALL BE MADE BY THE GOVERNOR. TWO
24 OF THE INITIAL APPOINTMENTS SHALL BE MADE AT THE TIME OF THE FIRST
25 ANNUAL MEMBERSHIP MEETING OF THE BANK. THEREAFTER, FIVE] board mem-
26 bers shall be elected by the members of the bank, with at least one of
27 the elected board members being an Alaska farmer [WITH AT LEAST 10
28 YEARS OF ALASKAN FARM EXPERIENCE], and two board members shall be
29 appointed by the governor until the repurchase of all the nonvoting,

1 preferred shares initially issued by the bank and purchased by agen-
2 cies of the state. After repurchase is completed, all board members
3 shall be elected by the members of the bank. The board members shall
4 annually elect a chairman from among themselves. The purpose of the
5 board is to manage the assets of the bank.

6 * Sec. 3. AS 44.81.090 is amended to read:

7 Sec. 44.81.090. TERM OF OFFICE AND REMOVAL. The members of the
8 board shall serve for terms of three years, and they may serve succes-
9 sive terms. Terms shall be staggered. An elected member of the board
10 who releases confidential information in violation of AS 44.81.260,
11 commits serious ethical misconduct that relates to the member's fit-
12 ness to serve as a member of the board, or maintains a chronically and
13 irredeemably substandard borrowing relationship with the bank may be
14 removed from the board by unanimous vote of the remaining members of
15 the board [INITIAL TERMS OF THE FIRST FIVE MEMBERS APPOINTED TO THE
16 BOARD SHALL BE TWO MEMBERS SERVING UNTIL THE FIRST ANNUAL MEMBERSHIP
17 MEETING OF THE BANK, TWO MEMBERS SERVING UNTIL THE SECOND ANNUAL
18 MEMBERSHIP MEETING OF THE BANK, AND ONE MEMBER SERVING UNTIL THE THIRD
19 ANNUAL MEMBERSHIP MEETING OF THE BANK. INITIAL TERMS OF THE TWO
20 MEMBERS APPOINTED AT THE TIME OF THE FIRST ANNUAL MEMBERSHIP MEETING
21 OF THE BANK SHALL BE ONE MEMBER SERVING UNTIL THE SECOND ANNUAL MEM-
22 BERSHIP MEETING OF THE BANK AND ONE MEMBER SERVING UNTIL THE THIRD
23 ANNUAL MEMBERSHIP MEETING OF THE BANK].

24 * Sec. 4. AS 44.81.210(a)(20) is amended to read:

25 (20) make loans to individual commercial fishermen for
26 limited entry permits; a loan under this paragraph may be made only to
27 an individual commercial fisherman who has been a state resident for a
28 continuous period of two years immediately preceding the date of
29 application for the loan [AND WHO HAS HAD A CREWMEMBER OR COMMERCIAL

1 FISHING LICENSE UNDER AS 16.05.480 OR A PERMIT UNDER AS 16.43 FOR THE
2 YEAR IMMEDIATELY PRECEDING THE DATE OF APPLICATION AND ANY OTHER TWO
3 OF THE PAST FIVE YEARS, AND WHO HAS ACTIVELY PARTICIPATED IN THE
4 FISHERY DURING THAT PERIOD]; loans made under this paragraph are
5 subject to [THE PROVISIONS OF] AS 44.81.230;

6 * Sec. 5. AS 44.81.210(a)(22) is amended to read:

7 (22) accept the pledge of a limited entry permit as security
8 for a loan made under this chapter [FOR THE REPAIR, RESTORATION, OR
9 IMPROVEMENT OF A COMMERCIAL FISHING VESSEL OR COMMERCIAL FISHING GEAR,
10 OR FOR THE CONSTRUCTION OR PURCHASE OF A COMMERCIAL FISHING VESSEL,]
11 subject to the conditions set out in AS 44.81.230 - 44.81.250 on
12 pledges of limited entry permits;

13 * Sec. 6. AS 44.81 is amended by adding a new section to read:

14 Sec. 44.81.235. LIMITATIONS ON PLEDGE OF PERMITS. (a) The bank
15 may issue a loan secured by a limited entry permit for

16 (1) purchase, repair, restoration, or improvement of a
17 commercial fishing vessel or commercial fishing gear;

18 (2) construction of a commercial fishing vessel;

19 (3) working capital, including insurance premiums, fuel,
20 bait, and boat storage and launching expenses; or

21 (4) purchase and improvement of set net sites and associ-
22 ated equipment.

23 (b) A limited entry permit may be used as security for more than
24 one loan if each loan meets the requirements of (a) of this section.

25 (c) A limited entry permit may be used as security for a loan to
26 refinance existing debts if the proceeds of each original loan were
27 used in accordance with (a) of this section.

28 * Sec. 7. AS 44.81.270 is amended by adding new subsections to read:

29 (b) The bank shall be audited annually by independent outside

1 auditors. The legislative auditor may confer with the outside audi-
2 tors and review the workpapers of the audit. At the direction of the
3 Legislative Budget and Audit Committee under AS 24.20.271, the legis-
4 lative auditor may conduct an audit of the bank.

5 (c) The state bank examiners shall perform an annual qualitative
6 examination and evaluation of the bank. The commissioner of commerce
7 and economic development shall assess the bank a fee established under
8 AS 06.01.010(b) for the actual expenses incurred by the Department of
9 Commerce and Economic Development in connection with the examination.
10 The examiners shall report to the board of directors on the examina-
11 tion. The examiners shall prepare a summary report evaluating the
12 bank's loan portfolio quality on a statistical basis and addressing
13 the appropriateness and effectiveness of the bank's policies, prac-
14 tices, and management within the context of the bank's statutory
15 purposes. The examiners shall distribute copies of the summary report
16 to the bank, the legislature, and the governor.

17 * Sec. 8. This Act takes effect immediately under AS 01.10.070(c).

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

3/16/87

DATE TURNED INTO OFFICE

4/16/87

Mr. President:

RESOURCES

Committee considered

SB 8

Commercial Fishing and Agricultural Bank.

and recommended:

replace with

or adopt

CS FOR

SB 8 Resources

CS FOR

same title

new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to

letter of intent adopted

Committee attached or adopted fiscal note(s)

new

updated or

previous

zero

fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Al Glavin

Cedric Stupulovich

James

Paul Thibe

Lloyd Jones

[Signature]
Chairman signature and recommendation

Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 1-22-87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: RESOURCES
FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

1/19/87

DATE TURNED INTO OFFICE 3/16/87

Mr. President:

LABOR & COMMERCE Committee considered SB 8

relating to the Commercial Fishing and Agricultural Bank.

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- ^{majority} do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

*- Fiscal - coming
note from EC
com 0 & C
Dw. Dep*

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Mike Szymanski
John Debevoise

Tim Kelly - Do Pass
Chairman signature and recommendation

Committee Backup Attached